The amendment was by leave withdrawn.

Clause 7 was put and carried.

Clause 1 was put and carried.

The Preamble was put and carried.

THE HON. SRI K. R. KARANTH :—" I move—

' *That the Bill be passed into law* '."

The motion was put and carried.

IV.—INCREASE IN THE MAXIMUM AMOUNT OF THE GUARANTEE GIVEN BY THE GOVERNMENT IN RESPECT OF THE DEBENTURES ISSUED BY THE MADRAS CO-OPERATIVE CENTRAL LAND MORTGAGE BANK, LIMITED.

* THE HON. SRI V. V. GIRI :—" I beg to move the following resolution :—

' *This Council recommends to the Provincial Government that they may, under sub-section* (2) *of section* 6 *of the Madras Co-operative Land Mortgage Banks Act,* 1934, *increase the maximum amount of guarantee given by them in respect of the debentures issued by the Madras Co-operative Central Land Mortgage Bank, Limited, up to a total face value of Rs.* 400 *lakhs, exclusive of such debentures as the Bank may from time to time redeem such debentures being issued for periods not exceeding in any case* 25 *years from the date of issue and bearing interest at a rate not exceeding* 5 *per cent per annum.*'

" An explanatory note[a] has been circulated to the hon. Members of the House. I do not propose to make any speech at this stage and the resolution is now before the House.

" Section 4 of the Madras Co-operative Land Mortgage Banks Act empowers the issue of debentures by the Bank on the security of mortgages and other assets transferred by mortgage banks to the Central Land Mortgage Banks. Under Section 5 of the Act, the Registrar is the trustee whose previous sanction has to be taken.

" Under Section 6, the Government of Madras may guarantee the debentures issued by the Central Land Mortgage Bank, and under section 6 (2), the Government may, after consulting the Legislature, increase the maximum amount of any guarantee given by them.

" On the 31st of August 1946, debentures of the value of Rs. 3,49,61,500 were in circulation. The guarantee is therefore exhausted.

" The bank can issue debentures only to the extent of the loans disbursed by it on the security of first mortgage of agricultural lands in the Province of Madras.

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a Printed as Appendix IV on pages 414-415 infra.

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" The amount of loan sanctioned does not exceed 50 per cent of the estimated value of the land proposed to be mortgaged, and the valuation is based on the values which existed prior to war.

" As against a sum of Rs. 242 lakhs due to the Central Land Mortgage Bank on 30th June 1946, the value of the properties mortgaged to the bank was estimated at Rs. 8.34 crores.

" Debentures are issued with the condition that they are irredeemable for a period of ten years from the date of issue. Thereafter the bank has the option to redeem all or some of the debentures on three months' notice. In order to accumulate funds to pay off debentures on maturity as per the advice of the Reserve Bank of India, the bank has constituted a Sinking Fund. The sinking funds are invested either in Government securities or in bank's own debentures. On 30th June 1946, the bank has a sum of Rs. 112 lakhs in its sinking fund investments.

" The bank has worked for 16 years now. The primary banks have all along been paying their obligations to the bank without leaving any arrears at the end of the co-operative year.

" The borrowers have also been paying off their instalments in time to the primary banks and the arrears have been negligible. There is no fear of the bank not being able to realise the full amount due on loan account from the borrowers.

" As the debentures are guaranteed by the Government, they are trustee securities and are also approved securities under the Insurance Act. The guarantee enables the trust funds and insurance funds to be invested in debentures.

" The debentures besides being supported by the mortgages and are also supported by the share capital and reserve of the Central Land Mortgage Bank, which on 30th June 1946 amounted to Rs. 31,45,068.

" The bank has been meeting its obligations in respect of interests and principal on debentures in time, all along. There is no likelihood of the Government ever being called upon to make good their guarantee. By the Government's security, the bank will be enabled to borrow in the market at cheap rates of interest and pass on the benefit to the agriculturists. Its latest series for Rs. 25 lakhs was issued at 2¾ per cent and was heavily over-subscribed.

" The Government have guaranteed already up to Rs. 350 lakhs and now the bank requests for a further guarantee of Rs. 50 lakhs. The Registrar has recommended the raising of the guarantee. There is no need for any general apprehension that there will be no limit for the amount that will have to be guaranteed by the Government. There is the amount of debentures redeemable every year, and this will be equal to the amount of debentures floated, a fresh issue resulting in no further increase. Therefore, the withdrawal of guarantee is inadvisable."

* SRI R. SURYANARAYANA RAO :—" Mr. President, Sir, those of us who are co-operators are deeply grateful to the Government for coming forward to give additional assistance to this great movement of Land Mortgage Banks. As the Hon. the Minister has said, the Central Land Mortgage Bank has done splendidly well. It has already won the admiration of all for its capacity to conduct good business and to come to the assistance of cultivators when they are in need.

" Sir this Central Land Mortgage Bank to which the Government propose to give further guarantee for raising more capital should be enabled to be of greater use to the ryots. But somehow the Government always stand in the way of the bank becoming more useful. I shall only instance the question of the reduction of the rate of interest. Sir, the Central Land Mortgage Bank, as the Hon. Minister said, just now, was able to raise Rs. 25 lakhs recently at $2\frac{3}{4}$ per cent. Generally its debentures have been raised at the rate of 3 per cent. But the ultimate borrower gets loan from it at the rate of 6 per cent. It is not understood why, in spite of the repeated representations made by the Central Land Mortgage Bank that it would be able to manage with a less margin, the Government—perhaps advised by the Reserve Bank of India insist on this greater margin of 3 per cent.

" Then, Sir, I am one of those who believe that this bank, if it is to be useful, should be able to lend money at a rate of interest lower than that at which the ryot is able to raise in the village. At present the ryot is able to raise the loan he requires for his purpose at a much lower rate than 6 per cent. I should like, Sir, the Hon. the Minister to look into this matter. As he is aware, it has been brought to his notice time and again.

" Another thing to which I should like to draw the attention of the Hon. the Minister is the immediate necessity to have a survey of the mitta and zamin lands. Most of the present land mortgage banks are not able to function as efficiently as they would have done, if the survey of the zamin lands had been made. This request is made year after year, but nothing has been done by the Government. It may require the amendment of the Estates Land Act."

* THE HON. SRI V. V. GIRI :—" They may themselves have to be liquidated."

* SRI R. SURYANARAYANA RAO :—" Till liquidation taken place, the zamin ryots may be able to secure loans that they so badly need and for want of survey, they are finding it difficult.

" Then there is another point which has been brought to the notice of the Hon. the Minister, viz., about the insistence of encumbrance certificate for 23 years. Twenty-three years is too

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long a period and the amount that has to be paid to the registration offices is very large. It has been said that unless there is any legal difficulty, and if it is really an administrative matter the Government may look into the matter to see whether twelve years or a less period than twenty-three years is not made sufficient. Why twenty-three years alone has been prescribed, we are not able to understand.

"Then coming to my Forte, the Royalaseema, we have only eleven banks in these five districts. If you look at the transactions of these land mortgage banks, you will see that they are comparatively insignificant. Especially in dry areas, even if land mortgage banks are started, loans will not be given, because it is the policy of the Central Land Mortgage Bank not to lend money on dry lands, as they are not always assured of annual crops. Various suggestions have been made to Government to safeguard the interests of ryots in dry areas. If money-lenders are willing to lend money on these dry lands, there is no reason why some method should not be found whereby the Central Land Mortgage Bank may become useful to the ryots of these dry areas as well. Various suggestions have been made and I hope the Hon. the Minister will look into them. The suggestions made so long ago in the Vijayaraghavachariar's Committee have not been considered in such detail as they should have been. The Advisers' regime said that they could not accept the recommendations. The mere decision not to accept the recommendation is not enough. Is there no other alternative method which can be put into operation so that these dry areas may also have the advantage of land mortgage banks?

"Then Sir, I have a word to say about the resolution itself. The Hon. Minister says ' . . . From the date of issue and bearing interest at a rate not exceeding 5 per cent per annum.' What is the purpose of fixing 5 per cent as the maximum? Does it bear any relation to the market rate? For example, if the Madras Government could float loans at 2¾ per cent, the Central Land Mortgage Bank should be able to raise debentures at 2¾ per cent. Why has this 5 per cent been fixed? Perhaps it may be the suggestion of the Finance Department. However, I should like to have enlightenment on this point and I once again request the Hon. the Minister to consider the points I have made, especially in regard to the reduction of the rate of interest and the necessity for having lands in the zamin areas surveyed, so that the land mortgage banks in those areas may also make sufficient progress not waiting till the estates are liquidated."

* THE HON. SRI V. V. GIRI :—" I am grateful to the hon. Member who has just spoken on this subject. He has studied much of co-operation and he was also a member of the Vijayaraghavachariar's Committee. In the other House, I stated that

the Committee's report will be taken into consideration and even if legislation is to be introduced, it would be done. The hon. Member has stated that as regards dry areas, the Vijayaraghavachariar's Committee has made certain suggestions. I shall certainly go into those suggestions and see how far Government would be able to help those areas.

"As regards the reduction of the rate of interest, I may state to the House that the matter is under the immediate consideration of the Government and orders will be passed very soon. As regards the survey of zamindari lands, I realise that even if the zamindari system is to be liquidated, they will have to be surveyed and when they are surveyed, certainly the people in those areas will have the benefit of the land mortgage banks.

"As regards Royalseema, I need not say that the Royalseema leaders are great agitators and they know how to put a thing not once, but a hundred times and how to secure results. If we can do something more, nothing would please the Government better in this matter.

"As regards the other suggestions made, they will be carefully gone into and the Government will see what could be done."

* MR. PRESIDENT :—"I now put the motion to the vote of the House. The motion is—

> '*This Council recommends to the Provincial Government that they may under sub-section* (2) *of section* 6 *of the Madras Co-operative Land Mortgage Banks Act*, 1934, *increase the maximum amount of the guarantee given by them in respect of the debentures issued by the Madras Co-operative Land Mortgage Bank, Limited, up to a total face value of Rs.* 400 *lakhs exclusive of such debentures as the bank may from time to time redeem, such debentures being issued for periods not exceeding in any case* 25 *years from the date of issue and bearing interest at a rate not exceeding* 5 *per cent per annum*'."

The motion was put and carried.

The House then adjourned to meet again at 11 a.m. on Thursday, the 12th September 1946.

V.—PAPER LAID ON THE TABLE OF THE HOUSE.

[a] *The Madras Trade Disputes Adjudication (Temporary Provision) Bill*, 1946 (*L.A. Bill No.* 3 *of* 1946), *passed by the Assembly and received therefrom in the Council.*

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[a] Laid on the table on 10th September 1946.